New EFET Appendix offers a response to the changes in the French gas market

On 30 March 2015 the European Federation of Energy Traders (EFET)¹ published version 3.0 of the EFET PEG Appendix to the EFET General Agreement Concerning the Delivery and Acceptance of Natural Gas, now available on the EFET-website (http://www.efet.org/Standardisation/Legal-EFET-Standard-Contracts-and-Documentation/GasAndGasAnnexes).

The Appendix comes in time for the changes taking effect on 1 April 2015, when the new Trading Region South (TRS), combining the GRTgaz South Zone and the TIGF system will be created. The TRS will have a single trading point replacing the current points PEG Sud and PEG TIGF.

In order to respond to the imminent changes in the French gas market, EFET has published an update of the current EFET PEG Appendix (Version 2.0), PEG Appendix Version 3.0. If executed between market participants, the PEG Appendix 3.0 applies retrospectively to all PEG-transactions delivered on or after 1 April 2015.

The General Terms and Conditions from April 2015 (“GT&Cs”) of both GRTgaz and TIGF provide that for shippers with capacity in both the GRTgaz Zone South and TIGF, any imbalance arising at the TRS will be allocated between the two zones by the Transmission System Operators (TSOs). The basis for such imbalance allocations is not clearly defined in the GT&Cs, although it can be assumed that it is the intention of the French Regulator CRE, that the imbalance charges payable in respect of a day should be the same for both systems, forming part of the TRS. However, the GT&Cs of both TSOs have been written in such a way that the imbalance prices could be different between the two systems and, in the case of GRTgaz, between different types of shippers (pure traders versus physical shippers). This situation creates uncertainties for the trading community and EFET has called for clarification, in order to be able to foresee the cost of trading at the TRS. At this moment, there seems to be no intention by either of the TSOs to change the GT&Cs. Jan Haizmann, Chairman of the Legal Committee described it as “critical” that TSOs may not live up to CRE’s intention to created liquidity by unclear terms which are “released in the last minute”. “This practice puts additional burden on the trading community”, said Dr. Haizmann.

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent, sustainable and liquid wholesale markets, unhindered by national borders or other undue obstacles. We currently represent more than 100 energy trading companies, active in over 27 European countries. For more information, visit our website at www.efet.org.
Clause 5.3 of the updated PEG Appendix 3.0 provides for a standard for calculation of balancing charges and compensations. In the event of the imbalance prices being different on a Day and for the purposes of calculating damages under Section 8 of the EFET General Agreement, the highest price would be used for short positions and the lowest price for long positions.

As the time to bring the new trading documentation in place is insufficient, EFET is offering a protocol based approach, allowing market participants to post adherence to the new PEG Appendix by publication of the EDRS (EFET Document Ratification System), which is managed through EFET.

The EDRS System (http://edrs.efet.org/users/) is an electronic ratification facility open to every market participant, even if the market participant is not EFET member.

EFET has had a substantial influence on legal OTC-standards by creating a generally accepted and reliable contractual standard for physically settled energy wholesale transactions. The reliability of EFET Agreements has been supported by multiple legal opinions and case law.

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